

AKRON-FAIRGROVE DISTRICT SCHOOLS
Fairgrove, Michigan

REPORT ON FINANCIAL STATEMENTS
(with additional information)
June 30, 2008

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AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

This section of the 2008 annual financial report presents our discussion and analysis of the School District's financial performance during the school year ended June 30, 2008. The intent of this discussion and analysis is to provide, in layman's terms, a look at the district's performance and past and current position. Readers should also review the transmittal letter, notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements -- and Management Discussion and Analysis (MD&A) -- for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year.

Financial Section

- Basic Financial Statements
 - District-wide Financial Statements
 - Fund Financial Statements
 - Fiduciary Fund
 - Notes to Financial Statements
- Required Supplemental Information
 - Budgetary Comparison Schedules

AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

Reporting the School District as a Whole – District-wide Financial Statements

The district-wide financial statements are fairly new to our district. One of the most frequent and important question asked about our School District is, "As a whole, what is the School District's financial condition as a result of this year's activities?" The first two statements in the School District's financial statements are the Statement of net assets and the statement of activities. These two statements report information on the School District as a whole because they include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Akron-Fairgrove School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The School District's operating results come from the relationship between the revenues and expenses. Our School District's goal is not to generate profits, as do commercial entities, but is to provide services to our students. To assess the overall health of the School District, there are many non-financial factors such as the quality of education provided, along with the safety of our schools.

In the District-wide statements, the district's activities are classified as *governmental activities*. The District's activities include regular and special education, support services, community services, transportation, food service, and athletics. Property taxes, State aid, State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The fund financial statements do not report the School District as a whole; instead the fund financial statements provide detailed information about the District's most significant funds. The School District establishes funds that comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The General Fund, Debt Retirement Fund and the Capital Projects Fund are the District's major funds, which includes the instructional student and instructional support activities. There are additional funds that the School District also establishes to help it control and manage money for particular purposes, such as the Athletic Funds, Food Services Funds, and Student Activities Funds. Funds need to be established to show that it's meeting legal responsibilities for certain taxes, grants, and other money including the 1999 Bond Issue, which funded the voter-approved capital projects. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all

AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School District's programs.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and June 30, 2008.

Table 1 Condensed Statement of Net Assets	Governmental Activities	
	2007	2008
Current assets	\$1,223,494	\$1,078,598
Noncurrent assets	6,123,337	5,980,523
Total assets	7,346,831	7,059,121
Current liabilities	559,677	518,247
Noncurrent liabilities	5,367,249	5,170,549
Total liabilities	5,926,926	5,688,796
Net assets		
Invested in capital assets – Net of related debt	617,574	654,760
Restricted	185,507	219,134
Unrestricted	616,824	496,431
Total net assets	\$1,419,905	\$1,370,325
Total Net Assets and Liabilities	\$7,346,831	\$7,059,121

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Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

The statement of activities shows the results of this year's operations for Akron-Fairgrove District Schools as a whole. Table 2 shows the changes in net assets of the School District as of June 30, 2007 and June 30, 2008.

Table 2		
Statement of Net Assets from Operating Results		
	Governmental Activities	
	2007	2008
Revenues		
Program revenues:		
Charges for services	\$ 55,793	\$ 50,773
Operating grants & Other Transactions	242,662	263,286
General revenues:		
Property taxes	566,556	595,929
State aid	2,621,484	2,567,359
Other	76,627	104,302
Total revenues	\$3,563,122	\$3,581,649
Expenses		
Instruction	1,609,353	1,689,034
Support services	1,249,225	1,211,865
Community services	6,663	2,806
Food Services	116,229	135,293
Athletics	115,919	107,332
Capital Projects	0	14,559
Interest on long-term debt	225,890	218,730
Amortization	17,110	17,110
Unallocated depreciation	229,028	234,500
Total Expenses	\$3,569,417	\$3,631,229
Increase (Decrease) in Net Assets	(\$6,295)	(\$49,580)

The beginning net assets of the district were \$1,419,905, the ending net assets were \$1,370,325, the net assets of the District decreased by \$49,580 during 2007/2008 year. Table 2 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the District's annual activity.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

Financial analysis of the School District's Funds

The District uses funds to help it control and manage money for particular purposes. The reader can look at these funds to help determine whether the Akron-Fairgrove School District is being held accountable for the resources taxpayers and others provide to it, and it may give them insight in the School District's overall financial health.

Table 2 shows the breakdown of the sources of revenue for the District. A substantial portion (72%) of the District's revenues is received from State sources, which means that the financial stability of the District rests primarily with the economic health of the State of Michigan.

Table 2 shows that 87% of the District's resources are spent on instruction services, instructional support services, and food & athletic services. Another 6% is spent on interest, while 7% is spent for depreciation and amortization and 0% on capital projects.

The financial performance of the district as a whole is reflected in its governmental funds. As the School District completed the 2007/2008 school year, the governmental funds reported a combined fund balance of \$832,295. The Fiduciary Funds had a balance of \$32,099.

Factors Increasing Fund Equity

- ◆ *Debt Fund Equity* – Increased \$33,341 due to the accumulation of QZAB funds for a future debt payment.
- ◆ *Food Service Fund Equity* – Increased \$7,465.

Factors Decreasing Fund Equity

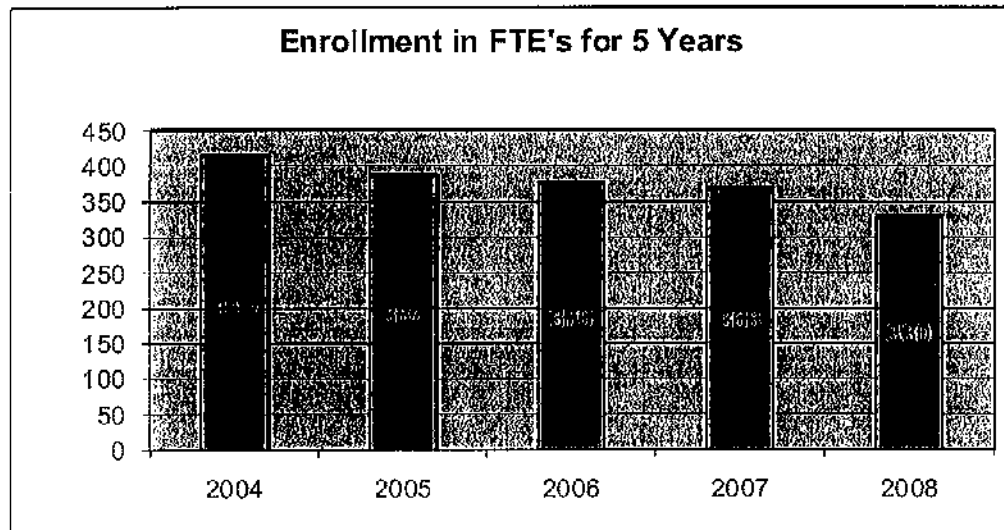
- ◆ *General Fund Equity* – Decreased \$12,944 due in part to declining enrollment.
Grants – The District received grants for professional development, parent programs, at risk, and literacy programs. These help to offset the cost of instructional budget items normally paid from fund equity.
- ◆ *Capital Projects Fund Equity* – Decreased \$108,838 due to the spending of the QZAB bond funds.
- ◆ *Athletic Fund Equity* – Decreased \$636.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

♦ *Student Enrollment*

The chart below shows the steady decline in enrollment for the past 5 years. There was a decline of 38 students between 2007 and 2008 with state aid at \$7,204 per student this is a loss of revenue of \$273,752. Because of their declining enrollment, their student count is based on the blending of a 3 year average.



Budget vs. Actual

The General fund budgeted an increase of \$14,992, but actually had a decrease of \$12,944, which is a budget variance of \$27,936.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted just before the year-end, along with the new adopted budget for the upcoming school year.

Budget Amendment 07/08

The increase in revenue this year between the beginning budget and the final amended budget totaled \$145,870, with local and state revenues being the largest items.

The expenditures increased by \$89,960 between the beginning budget and the final amended budget. The major areas that were increased were instruction and supporting services.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2008, the School District had \$9,234,741 invested in a broad range of capital assets. The District had capital additions for the year of \$108,795.

The District's capital assets at year-end are outlined in Table 3.

Table 3		
	Governmental Activities	
	<u>2007</u>	<u>2008</u>
Buildings	\$7,804,521	\$7,804,521
Buses	437,603	437,603
General Equipment	164,735	164,735
Playground, Athletic, Site Improvement	499,591	568,755
Technology	<u>219,495</u>	<u>259,127</u>
Total	<u>\$9,125,945</u>	<u>\$9,234,741</u>

The District's net capital assets show an increase of \$125,704 from 2007, this is a result of depreciation in the amount of \$234,500 and \$108,795 was spent on new capital assets. Depreciation is taken on the assets using the straight-line method of depreciation.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

Debt Administration

As of June 30, 2008 the District had debt on the financial statements for Durant bonds with a remaining balance of \$15,763. These are self-liquidating bonds issued by the State of Michigan to fund a special education lawsuit by Michigan school districts. Payment of principal and interest on the bonds is made directly to the State of Michigan. The District has pledged and assigned to bondholders all rights to state aid payments as security for the bond.

As of June 30, 2008 the District had debt on the financial statements for the unrefunded portion of the 1999 Building and Site Bonds in the amount of \$165,000. These bonds will mature from May 1, 2006 through November 1, 2009.

As of June 30, 2008 the District had debt on the financial statements for the 2005 Refunding Bonds in the amount of \$4,520,000. These bonds will mature from May 1, 2008 through May 1, 2025.

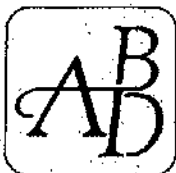
As of June 30, 2008 the District had debt on the financial statements for the 2005 QZAB Bond in the amount of \$625,000. This bond will mature in 2020.

As of June 30, 2008 the District had compensated absences, which include accumulated sick and vacation pay, totaling \$81,926.

We present more detailed information about our long-term liabilities in the notes to financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Central Office Bookkeeper, Akron-Fairgrove District Schools, 2800 N. Thomas Road, Fairgrove, Michigan, 48733, and telephone number (989) 693-6163.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
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Jamie L. Peasley, CPA
Timothy Prahzel

Robert L. Tuckey, CPA

July 10, 2008

INDEPENDENT AUDITOR'S REPORT

Board of Education
Akron-Fairgrove District Schools
Fairgrove, Michigan 48733

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron-Fairgrove District Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of the Akron Fairgrove District Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Akron-Fairgrove District Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2008 on our consideration of Akron-Fairgrove District Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Education
Akron-Fairgrove District Schools
July 10, 2008

The management's discussion and analysis and budgetary comparison information on pages i through viii and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the primary government of Akron-Fairgrove District Schools' basic financial statements. The additional information on pages 25 to 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

AKRON-FAIRGROVE DISTRICT SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2008

	GOVERNMENTAL ACTIVITIES
<i>CURRENT ASSETS</i>	
Cash and equivalents	\$ 521,158
Investments	87,696
Accounts receivable	1,249
Prepaid expenses	-
Due from other governmental units	465,995
Property taxes receivable	2,500
	<hr/>
TOTAL CURRENT ASSETS	1,078,598
	<hr/>
<i>NONCURRENT ASSETS</i>	
Deferred amount on bond refunding	342,195
Amortization of bond issuance cost	(51,330)
Capital assets	9,234,741
Less accumulated depreciation	(3,545,083)
	<hr/>
TOTAL NONCURRENT ASSETS	5,980,523
	<hr/>
<i>TOTAL ASSETS</i>	<u>\$ 7,059,121</u>
	<hr/>
<u><i>LIABILITIES AND NET ASSETS</i></u>	
<i>CURRENT LIABILITIES</i>	
Accounts payable	\$ 343
Accrued salaries	146,198
Accrued benefits	65,982
Accrued interest	37,304
Accrued payroll taxes	11,184
Deferred revenue	20,096
Retirement incentives payable	45,000
Current portion of long term debt	192,140
	<hr/>
TOTAL CURRENT LIABILITIES	518,247
	<hr/>
<i>NONCURRENT LIABILITIES</i>	
Noncurrent portion of long term debt	5,133,623
Noncurrent portion of compensated absences	36,926
	<hr/>
TOTAL NONCURRENT LIABILITIES	5,170,549
	<hr/>
<i>NET ASSETS</i>	
Invested in capital assets, net of related debt	654,760
Restricted for debt service	219,134
Unrestricted	496,431
	<hr/>
TOTAL NET ASSETS	1,370,325
	<hr/>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 7,059,121</u>
	<hr/>

The accompanying notes are an integral part of the financial statements.

AKRON FAIRGROVE SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 1,689,034		\$ 100,879	\$ (1,588,155)
Support services	1,211,865		87,252	(1,144,613)
Community services	2,806			(2,806)
Food services	135,293	\$ 34,122	95,155	(6,016)
Athletics	107,332	16,651		(90,681)
Capital projects	14,559			(14,559)
Interest and costs on long-term debt	218,730			(218,730)
Amortization	17,110			(17,110)
Unallocated depreciation	234,500			(234,500)
Total governmental activities	<u>\$ 3,631,229</u>	<u>\$ 50,773</u>	<u>\$ 263,286</u>	<u>(3,317,170)</u>
General revenues:				
Property taxes, levied for general purposes				\$ 204,840
Property taxes, levied for debt service				391,089
State sources				2,567,359
Investment revenue				17,946
Transfers from other districts				15,110
Miscellaneous				71,246
Total general revenue				<u>3,267,590</u>
Change in net assets				(49,580)
Net assets, beginning of year				<u>1,419,905</u>
Net assets, end of year				<u>\$ 1,370,325</u>

The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>GENERAL FUND</u>	<u>DEBT RETIREMENT</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash and equivalents	\$ 130,069	\$ 256,438	\$ 100,085	\$ 34,566	\$ 521,158
Investments	87,696				87,696
Accounts receivable				1,249	1,249
Prepaid expenses	-				-
Due from other governmental units	465,995			-	465,995
Due from other funds	-	-		-	-
TOTAL ASSETS	<u>\$ 683,760</u>	<u>\$ 256,438</u>	<u>\$ 100,085</u>	<u>\$ 35,815</u>	<u>\$ 1,076,098</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES:					
Accounts payable	\$ 343				\$ 343
Benefits payable	41,706				41,706
Deferred revenue	20,096				20,096
Due to other funds	-			-	-
Retirement payable	24,276				24,276
Salaries payable	146,198				146,198
Accrued payroll taxes	11,184				11,184
TOTAL LIABILITIES	<u>243,803</u>			<u>-</u>	<u>243,803</u>
FUND BALANCE:					
Reserved for debt service		\$ 256,438			256,438
Unreserved:					
Designated for capital expenditures			\$ 100,085		100,085
Undesignated	439,957			\$ 35,815	475,772
TOTAL FUND BALANCE	<u>439,957</u>	<u>256,438</u>	<u>100,085</u>	<u>35,815</u>	<u>832,295</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 683,760</u>	<u>\$ 256,438</u>	<u>\$ 100,085</u>	<u>\$ 35,815</u>	<u>\$ 1,076,098</u>

The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds \$ 832,295

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of the capital assets is: 9,234,741
Accumulated depreciation is: (3,545,083)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable (5,325,763)
Deferred amount on bond refunding 342,195
Amortization of bond issuance costs (51,330)
Compensated absences (36,926)
Retirement incentives payable (45,000)
Accrued interest is not included as a liability in govern-
mental funds; it is recorded when paid (37,304)

Balance of taxes receivable at 6/30/08 less allowance for doubtful
accounts, expected to be collected after September 1, 2008

2,500

Net Assets of Governmental Activities

\$ 1,370,325

The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2008

	GENERAL FUND	DEBT RETIREMENT	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local sources	\$ 278,132	\$ 396,057	\$ 2,223	\$ 59,482	\$ 735,894
State sources	2,562,587	-		4,772	2,567,359
Federal sources	168,131			95,155	263,286
Transfers from other districts	15,110				15,110
TOTAL REVENUES	3,023,960	396,057	2,223	159,409	3,581,649
EXPENDITURES					
Instruction	1,697,520				1,697,520
Supporting services	1,210,233				1,210,233
Community services	2,806				2,806
Food services				135,293	135,293
Athletic services				107,332	107,332
Other expenditures			553		553
Capital Outlay			110,508		110,508
Debt service:					
Principal redemption		180,000			180,000
Interest and fiscal charges		219,016			219,016
TOTAL EXPENDITURES	2,910,559	399,016	111,061	242,625	3,663,261
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	113,401	(2,959)	(108,838)	(83,216)	(81,612)
OTHER FINANCING SOURCES (USES)					
Fund transfers in		36,300		90,045	126,345
Fund transfers out	(126,345)		-		(126,345)
TOTAL OTHER FINANCING SOURCES (USES)	(126,345)	36,300	-	90,045	-
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(12,944)	33,341	(108,838)	6,829	(81,612)
FUND BALANCE AT BEGINNING OF YEAR	452,901	223,097	208,923	28,986	913,907
FUND BALANCE AT END OF YEAR	\$ 439,957	\$ 256,438	\$ 100,085	\$ 35,815	\$ 832,295

The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008

Total net change in fund balances--governmental funds **\$ (81,612)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(234,500)
Amortization	(17,110)
Capital outlay	108,796

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	37,590
Accrued interest payable at the end of the year	(37,304)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	180,000
--	---------

Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	41,486
Accrued absences at the end of the year	(36,926)

Compensated retirement incentives are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued retirement incentives at the beginning of the year	35,000
Accrued retirement incentives at the end of the year	(45,000)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(2,500)
Accrued revenue at the end of the year	2,500

Change in net assets of governmental activities	\$ (49,580)
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The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

	<u>PRIVATE- PURPOSE TRUST</u>	<u>AGENCY FUNDS</u>
CURRENT ASSETS		
Cash		\$ 22,122
Investments	\$ 9,977	-
<i>TOTAL ASSETS</i>	<u><u>\$ 9,977</u></u>	<u><u>\$ 22,122</u></u>
 LIABILITIES		
Due to student organizations		\$ 22,122
<i>TOTAL LIABILITIES</i>	<u>-</u>	<u>22,122</u>
 NET ASSETS		
Reserved for scholarships	\$ 9,977	
<i>TOTAL NET ASSETS</i>	<u><u>\$ 9,977</u></u>	<u><u>\$ 22,122</u></u>

The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>PRIVATE- PURPOSE TRUST</u>
ADDITIONS	
Interest earnings	\$ 381
Donations	<u>-</u>
Total additions:	<u>381</u>
DEDUCTIONS	
Scholarships awarded	<u>500</u>
CHANGE IN NET ASSETS	<u>(119)</u>
NET ASSETS	
Beginning of year	<u>10,096</u>
End of year	<u><u>\$ 9,977</u></u>

The accompanying notes are an integral part of the financial statements.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Akron-Fairgrove District Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Akron-Fairgrove District Schools (the "District") is governed by the Akron-Fairgrove District Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The private purpose trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not included in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Foundation Revenue:

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 - August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

State Categorical Revenue:

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued):

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation of \$105,146,868:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	18.00
Debt Service Fund	3.70

On June 9, 2003 voters of the District approved the 18.00 mill levy for the years 2004-2013.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

4. Prepaid Expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Accumulated vacation and sick pay amounts that are expected to be liquidated with expendable available resources are recorded. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher, or his/her estate, a sum equal to \$43 for each unused accumulated sick day, up to a maximum of 180 days.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30, are accrued, if material.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Use of Estimates.

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. The Districts exceeded the final budgeted amount by \$27,936 and exceeded the Instruction and Supporting services budgets by \$21,794 and \$27,504, respectively. These are violations of the PA621 Budgeting Act.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2008, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool -MIMAX	\$ 97,673	0.0027	AAAm	100.0%
Total fair value	<u>\$ 97,673</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

The District voluntarily invests certain excess funds in external pooled investment funds that included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$283,549 of the District's bank balance of \$652,402 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$22,122	\$ 543,280
Investments - including fiduciary funds of \$9,977	97,673
	<u>\$ 640,953</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 22,122
Investments - Private Purpose Trust Fund	9,977
Cash - District wide	521,158
Investments - District wide	87,696
	<u>\$ 640,953</u>

NOTE 4 – NOTE PAYABLE:

At June 30, 2008, the District had paid in full the outstanding balance of a note payable. The note had an interest rate of 3.71%. The note was secured by the full faith and credit of the District as well as pledged state aid.

<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2008</u>
\$ 0	\$350,000	\$350,000	\$ 0

NOTE 5 – LONG-TERM DEBT:

The following is a summary of the serial bonds of the school district for the year ended June 30, 2008:

	<u>SERIAL</u> <u>BONDS</u>
Balance payable - July 1, 2007	\$5,197,788
1999 School Building and Site Bonds paid	(155,000)
2005 Refunding Bonds Paid	(25,000)
Amortization of Deferred Amount on Bond Refunding	17,110
Durant Principal Payment	<u>(0)</u>
Balance payable June 30, 2008	<u>\$5,034,898</u>

Interest expense (all funds) for the year ended June 30, 2008 was \$225,110.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 5 – LONG-TERM DEBT, (Continued):

As of June 30, 2008, the school district had the following outstanding bonds payable:

2005 QZAB Bond -To be paid in 15 equal annual installments of \$33,649. This bond is interest free.	\$ 625,000
1999 School Building and Site Bonds to furnish and remodel existing equipment; 5.50% interest.	165,000
1998 Durant Bonds; 8.00% interest.	15,763
Deferred amount on bond refunding	(290,865)
2005 Refunding Bonds; interest from 3.0% to 5.0%. The 2005 Refunding Bonds were authorized by the Board of Education, by resolutions adopted on September 13, 2004 and March 21, 2005 for the purpose of refunding a portion of a prior bond issue of the School District. The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.	<u>4,520,000</u>
Total	<u>\$ 5,034,898</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 192,140	\$ 209,251	\$ 401,391
2010	206,235	200,703	406,938
2011	202,349	192,186	394,535
2012	217,461	182,076	399,537
2013	227,578	171,206	398,784
2014-2018	1,305,000	682,075	1,987,075
2019-2023	2,235,000	381,687	2,616,687
2024-2025	<u>740,000</u>	<u>49,950</u>	<u>789,950</u>
	5,325,763	2,069,134	7,394,897
Deferred amount on bond refunding	(290,865)		(290,865)
Accumulated compensated absences	<u>81,926</u>	<u>-</u>	<u>81,926</u>
 TOTALS	 <u>\$5,116,824</u>	 <u>\$2,069,134</u>	 <u>\$7,185,958</u>

During the year ended June 30, 2005 the District financed the 1999 bonds. New general obligation bonds were issued at a premium of \$82,226 after paying issuance costs of \$106,031, the net proceeds were \$4,571,195. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid off on May 1, 2022. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$211,001.

Interest on long-term debt for the year ended June 30, 2008 was \$217,966.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 5 – LONG-TERM DEBT, (Continued):

The annual payments will be deposited with Chemical Bank and Trust Company and will earn interest at the rate of 2.96% per annum. The accumulated amounts will be used to pay off the QZAB bond in 2020.

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District's contribution to MPERS for the years ended June 30, 2008, 2007, and 2006 were \$257,594, \$279,908, and \$271,809, respectively, and were equal to the required contributions for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 7 - OPERATING LEASES:

The School District entered into a contract to lease Office Data Processing Equipment beginning July 30, 2002 for 66 months, at a cost of \$13,500 per year.

On October 17, 2007 the School District entered into a contract to lease office equipment from Toshiba for a period of 63 months at a cost of \$3,110 per quarter.

AKRON-FAIRGROVE DISTRICT SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 8 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 9 – DUE TO AND FROM OTHER FUNDS:

The District had no due to other funds or due from other funds for the year ended June 30, 2008.

NOTE 10 – TRANSFERS:

The general fund transferred \$90,045 to the athletic fund and \$36,300 to the QZAB Debt Retirement Fund during the current fiscal year for operating purposes.

NOTE 11 – CAPITAL PROJECTS FUND:

On June 28, 2005 the District borrowed \$625,000 through the Qualified Zone Academy Bond Program for the purpose of remodeling, equipping, re-equipping, furnishing and re-furnishing school buildings; acquiring school buses; and developing and improving athletic facilities, playgrounds and sites. The bonds are to be repaid with fifteen annual installments of \$33,649 commencing on June 28, 2006 being paid into a Trust Account to provide the funds to repay the bond principal in one payment of \$625,000 on June 28, 2020. The bonds are interest-free and the balance on June 30, 2008 is \$625,000. The balance in this trust account at June 30, 2008 is \$110,355.

AKRON-FAIRGROVE DISTRICT SCHOOLS

Notes to Financial Statements
For The Year Ended June 30, 2008

NOTE 12 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	BALANCE MARCH 31, <u>2007</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	BALANCE MARCH 31, <u>2008</u>
Buildings	\$7,804,521			\$7,804,521
General Equipment	164,735			164,735
Buses	437,603			437,603
Technology	219,495	\$ 39,632		259,127
Playground, Athletic, & Site Improvement	<u>499,591</u>	<u>69,164</u>		<u>568,755</u>
TOTAL GENERAL FIXED ASSETS	9,125,945	108,795	-	9,234,741
Accumulated Depreciation	<u>(3,310,583)</u>	<u>(234,500)</u>	<u>-</u>	<u>(3,545,083)</u>
NET ASSETS	<u>\$5,815,362</u>	<u>\$(125,704)</u>	<u>NONE</u>	<u>\$5,689,658</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$234,500. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

REQUIRED SUPPLEMENTARY INFORMATION

AKRON-FAIRGROVE DISTRICT SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local sources	\$ 238,464	\$ 261,459	\$ 278,132	\$ 16,673
State sources	2,453,907	2,571,826	2,562,587	(9,239)
Federal sources	145,606	153,502	168,131	14,629
Transfers from other districts	20,500	15,560	15,110	(450)
TOTAL REVENUES	<u>2,858,477</u>	<u>3,002,347</u>	<u>3,023,960</u>	<u>21,613</u>
EXPENDITURES:				
Instruction	1,644,122	1,675,726	1,697,520	(21,794)
Supporting services	1,126,546	1,182,729	1,210,233	(27,504)
Community services	-	2,806	2,806	-
TOTAL EXPENDITURES	<u>2,770,668</u>	<u>2,861,261</u>	<u>2,910,559</u>	<u>(49,288)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>85,809</u>	<u>141,086</u>	<u>113,401</u>	<u>(27,685)</u>
OTHER FINANCING SOURCES (USES):				
Transfer to Other Funds	<u>(126,727)</u>	<u>(126,094)</u>	<u>(126,345)</u>	<u>(251)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(126,727)</u>	<u>(126,094)</u>	<u>(126,345)</u>	<u>(251)</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(40,918)</u>	<u>14,992</u>	<u>(12,944)</u>	<u>(27,936)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>452,901</u>	<u>452,901</u>	<u>452,901</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 411,983</u>	<u>\$ 467,893</u>	<u>\$ 439,957</u>	<u>\$ (27,936)</u>

See the accompanying notes.

ADDITIONAL INFORMATION

AKRON-FAIRGROVE DISTRICT SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2008

	<u>GOVERNMENTAL FUND TYPES</u>	<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 34,566	\$ 34,566
Accounts receivable	1,249	1,249
TOTAL ASSETS	<u>\$ 35,815</u>	<u>\$ 35,815</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
Due to other funds	\$ -	\$ -
 FUND BALANCE:		
Unreserved	35,815	35,815
 TOTAL FUND BALANCE	35,815	35,815
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 35,815</u>	<u>\$ 35,815</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2008

	<u>GOVERNMENTAL FUND TYPES</u>	<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>2008</u>
REVENUES:		
Local sources		
Sales of meals and milk	\$ 34,122	\$ 34,122
Admissions	16,651	16,651
Interest	724	724
Other	7,985	7,985
Total local sources	<u>59,482</u>	<u>59,482</u>
State sources		
State aid	<u>4,772</u>	<u>4,772</u>
Federal sources		
National School Lunch Program	83,570	83,570
USDA Commodities	11,585	11,585
Total federal sources	<u>95,155</u>	<u>95,155</u>
TOTAL REVENUES	<u>159,409</u>	<u>159,409</u>
EXPENDITURES:		
Food services	135,293	135,293
Athletics	107,332	107,332
TOTAL EXPENDITURES	<u>242,625</u>	<u>242,625</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(83,216)</u>	<u>(83,216)</u>
OTHER FINANCING SOURCES (USES):		
Fund transfers in	<u>90,045</u>	<u>90,045</u>
TOTAL OTHER FINANCING SOURCES (USES)	90,045	90,045
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>6,829</u>	<u>6,829</u>
FUND BALANCE - BEGINNING OF YEAR	<u>28,986</u>	<u>28,986</u>
FUND BALANCE - END OF YEAR	<u>\$ 35,815</u>	<u>\$ 35,815</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) -
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES			
Local sources	\$ 261,459	\$ 278,132	\$ 16,673
State sources	2,571,826	2,562,587	(9,239)
Federal sources	153,502	168,131	14,629
Transfers from other districts	15,560	15,110	(450)
TOTAL REVENUES	3,002,347	3,023,960	21,613
EXPENDITURES			
Instruction	1,675,726	1,697,520	(21,794)
Supporting services	1,182,729	1,210,233	(27,504)
Community services	2,806	2,806	-
Food services			
Athletic services			
TOTAL EXPENDITURES	2,861,261	2,910,559	(49,298)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	141,086	113,401	(27,685)
OTHER FINANCING SOURCES (USES):			
Fund transfers in			
Fund transfers out	(126,094)	(126,345)	(251)
TOTAL OTHER FINANCING SOURCES (USES)	(126,094)	(126,345)	(251)
EXCESS (DEFICIENCY) OR REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	14,992	(12,944)	(27,936)
FUND BALANCE - BEGINNING OF YEAR	452,901	452,901	-
FUND BALANCE - END OF YEAR	\$ 467,893	\$ 439,957	\$ (27,936)

See the accompanying notes.

SPECIAL REVENUE FUND

BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$51,917	\$ 59,482	\$ 7,565
6,870	4,772	(2,098)
70,000	95,155	25,155
<u>128,787</u>	<u>159,409</u>	<u>30,622</u>
124,674	135,293	(10,619)
<u>104,106</u>	<u>107,332</u>	<u>(3,226)</u>
228,780	242,625	(13,845)
<u>(99,993)</u>	<u>(83,216)</u>	<u>16,777</u>
89,439	90,045	606
<u>-</u>	<u>-</u>	<u>-</u>
89,439	90,045	606
<u>(10,554)</u>	<u>6,829</u>	<u>17,383</u>
<u>28,986</u>	<u>28,986</u>	<u>-</u>
<u>\$ 18,432</u>	<u>\$ 35,815</u>	<u>\$ 17,383</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES:			
Property taxes	\$ 203,164	\$ 204,795	\$ 1,631
Delinquent taxes	-	45	45
Interest income	7,000	10,031	3,031
Drivers education fees	1,000	2,200	1,200
Transportation reimbursements	30,300	-	(30,300)
Other	19,995	61,061	41,066
Total Local Sources	<u>261,459</u>	<u>278,132</u>	<u>16,673</u>
STATE SOURCES:			
Foundation Grant	2,386,175	2,379,248	(6,927)
Michigan school readiness	102,000	89,638	(12,362)
At Risk	79,805	89,855	10,050
Durant Funds	3,846	3,846	-
Other	-	-	-
Total State Sources	<u>2,571,826</u>	<u>2,562,587</u>	<u>(9,239)</u>
FEDERAL SOURCES:			
Title I	132,796	107,918	(24,878)
Title V	1,427	1,427	-
Title II	-	43,078	43,078
Technology Literacy Challenge Grant	1,061	1,061	-
Drug Consortium	-	-	-
Handicapped	390	475	85
Tech Prep	2,000	2,119	119
Miscellaneous	15,828	12,053	(3,775)
Total Federal Sources	<u>153,502</u>	<u>168,131</u>	<u>14,629</u>
OTHER TRANSACTIONS:			
Incoming Transfers:			
TISD	12,500	9,250	(3,250)
Other	3,060	5,860	2,800
Total Transfers	<u>15,560</u>	<u>15,110</u>	<u>(450)</u>
TOTAL REVENUES	<u><u>\$ 3,002,347</u></u>	<u><u>\$ 3,023,960</u></u>	<u><u>\$ 21,613</u></u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
AKRON ELEMENTARY:			
Salaries:			
Teachers	\$ 303,509	\$ 309,615	\$ (6,106)
Aides	19,344	20,083	(739)
Substitutes	70	70	-
Employee benefits	184,881	193,467	(8,586)
Purchased services	20,640	18,954	1,686
Workshops and conferences	1,050	979	71
Teaching supplies & materials	1,600	1,569	31
Fees & dues	370	363	7
Capital outlay	302	301	1
Total Akron Elementary	<u>531,766</u>	<u>545,401</u>	<u>(13,635)</u>
SECONDARY:			
Salaries:			
Teachers	405,954	406,503	(549)
Aides	40,197	38,796	1,401
Substitutes	1,000	970	30
Other professional salaries	15,650	15,624	26
Employee benefits	233,786	224,144	9,642
Travel, workshops & conferences	1,400	1,693	(293)
Purchased services	30,361	32,701	(2,340)
Teaching supplies & materials	5,646	5,502	144
Fees & dues	1,305	1,294	11
Capital outlay	3,030	3,030	-
Total Secondary	<u>738,329</u>	<u>730,257</u>	<u>8,072</u>
MICHIGAN SCHOOL READINESS	<u>102,000</u>	<u>89,638</u>	<u>12,362</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
BASIC PROGRAMS, (Continued):			
BASIC PROGRAMS/ ADDED NEEDS:			
Title I	\$ 98,293	\$ 101,118	\$ (2,825)
At Risk			
Salaries & benefits	81,553	80,646	907
Teaching supplies & materials	132	12,759	(12,627)
Special Education:			
Salaries:			
Teachers	57,567	69,601	(12,034)
Aides	1,500	1,500	-
Substitutes	8,700	8,106	594
Employee benefits	50,851	53,602	(2,751)
Travel, workshops & conferences	1,225	1,108	117
Teaching supplies & materials	3,810	3,784	26
Total Added Needs	<u>303,631</u>	<u>332,224</u>	<u>(28,593)</u>
TOTAL INSTRUCTION	<u>1,675,726</u>	<u>1,697,520</u>	<u>(21,794)</u>
SUPPORTING SERVICES:			
GUIDANCE SERVICES:			
Salaries:			
Counseling	41,122	36,121	5,001
Truancy	2,800	2,800	-
Employee benefits	10,023	8,828	1,195
Travel, workshops & conferences	-	-	-
Supplies	20	18	2
Total Guidance Services	<u>53,965</u>	<u>47,767</u>	<u>6,198</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
INSTRUCTIONAL STAFF:			
Title V	\$ 1,427	\$ 1,427	-
Title II	3,295	43,353	\$ (40,058)
Career education	-	4,030	(4,030)
Medicaid incentives	300	1,060	(760)
District-wide testing	700	657	43
Tech Prep teaching workshops	2,000	2,119	(119)
MIBSLI Grant	2,940	2,939	1
Drug education consortium	1,500	-	1,500
Federal Rural Education	11,928	11,928	-
Total Instructional Staff	<u>24,090</u>	<u>67,513</u>	<u>(43,423)</u>
LIBRARY & A-V:			
Salaries:			
Library aides	9,512	9,071	441
Employee benefits	2,319	2,118	201
Purchased service	630	627	3
Supplies & materials	2,200	2,193	7
Capital outlay	300	297	3
Total Library and A-V	<u>14,961</u>	<u>14,306</u>	<u>655</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
BOARD OF EDUCATION:			
Salaries:			
Board members	\$ 4,193	\$ 4,193	\$ -
Legal fees	7,500	8,330	(830)
Audit fees	6,850	6,850	-
Workshops & conferences	-	-	-
Advertising	500	424	76
Purchased services	7,600	7,189	411
Election expenses	900	1,607	(707)
Miscellaneous supplies	5,000	5,124	(124)
Fees & dues	1,200	1,249	(49)
Total Board of Education	<u>33,743</u>	<u>34,966</u>	<u>(1,223)</u>
EXECUTIVE ADMINISTRATION:			
Salaries:			
Superintendent	82,600	82,599	1
Secretarial	31,351	32,011	(660)
Employee benefits	38,657	38,054	603
Workshops & conferences	380	360	20
Purchased services	11,000	9,932	1,068
Office supplies	4,500	4,087	413
Fees & dues	855	855	-
Total Executive Administration	<u>169,343</u>	<u>167,898</u>	<u>1,445</u>
SCHOOL ADMINISTRATION:			
Salaries:			
Principals	65,349	69,229	(3,880)
Secretarial	61,708	51,945	9,761
Employee benefits	71,729	69,426	2,303
Travel, workshops & conferences	776	802	(26)
Office supplies	2,950	2,889	61
Purchased services	5,245	5,383	(138)
Fees & dues	20	20	-
Total School Administration	<u>207,775</u>	<u>199,694</u>	<u>8,081</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
FISCAL & OTHER BUSINESS SERVICES:			
Bookkeeper	\$ 39,458	\$ 39,458	\$ -
Employee benefits	17,424	18,026	(602)
Data processing	5,000	4,630	370
Insurance & bonds	39,138	39,249	(111)
Miscellaneous	16,866	17,255	(389)
Total Fiscal & Other Business Services	<u>117,886</u>	<u>118,618</u>	<u>(732)</u>
OPERATION & MAINTENANCE:			
Custodial wages	123,017	124,201	(1,184)
Employee benefits	66,704	67,309	(605)
Travel	225	235	(10)
Telephone	17,400	18,307	(907)
Utilities	170,517	168,246	2,271
Maintenance of equipment	20,250	20,880	(630)
Purchased services	4,800	3,634	966
Supplies	21,000	20,340	660
Total Operation & Maintenance	<u>423,713</u>	<u>423,152</u>	<u>561</u>
PUPIL TRANSPORTATION:			
Salaries:			
Supervisor	12,000	13,224	(1,224)
Vehicle operator	40,146	37,514	2,632
Special trips	10,000	11,322	(1,322)
Employee benefits	17,116	16,833	283
Travel, workshops & conferences	500	488	12
Purchased services	25,431	24,320	1,111
Gas & oil	28,000	28,342	(342)
Repairs	3,610	3,838	(228)
Supplies & materials	450	438	12
Total Pupil Transportation	<u>137,253</u>	<u>136,319</u>	<u>934</u>
TOTAL SUPPORTING SERVICES	<u>\$ 1,182,729</u>	<u>\$ 1,210,233</u>	<u>\$ (27,504)</u>

AKRON-FAIRGROVE DISTRICT SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
DRIVER EDUCATION:			
Salaries	\$ 2,112	\$ 2,112	\$ -
Employee benefits	162	162	-
Vehicle rental and repairs	132	132	-
Auto Insurance	100	100	-
Gas, oil, and grease	300	300	-
Total Driver Education	<u>2,806</u>	<u>2,806</u>	<u>-</u>
LATCH KEY:			
Aide salary	-	-	-
Employee benefits	-	-	-
Supplies	-	-	-
Total Latch Key	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMMUNITY SERVICES	<u>2,806</u>	<u>2,806</u>	<u>-</u>
OUTGOING TRANSFERS AND OTHER:			
Transfer to Capital Project - QZAB Fund	36,300	36,300	-
Transfer to Athletic Fund	89,794	90,045	(251)
TOTAL OUTGOING TRANSFERS AND OTHER	<u>126,094</u>	<u>126,345</u>	<u>(251)</u>
TOTAL EXPENDITURES AND OUTGOING TRANSFERS	<u>\$ 2,987,355</u>	<u>\$ 3,036,904</u>	<u>\$ (49,549)</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and investments	\$ 34,408	\$ 158	\$ 34,566
Accounts receivable	<u>1,249</u>	<u> </u>	<u>1,249</u>
<u>TOTAL ASSETS</u>	<u>\$ 35,657</u>	<u>\$ 158</u>	<u>\$ 35,815</u>
 <u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Accounts payable			-
Due to other funds	<u>\$ -</u>	<u> </u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCE:			
Fund Balance	<u>35,657</u>	<u>\$ 158</u>	<u>35,815</u>
TOTAL FUND BALANCE	<u>35,657</u>	<u>158</u>	<u>35,815</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 35,657</u>	<u>\$ 158</u>	<u>\$ 35,815</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>COMBINED</u>
REVENUES:			
Local Sources:			
Sales of meals and milk	\$ 34,122		\$ 34,122
Admissions		\$ 16,651	16,651
Interest	724		724
Other	7,985		7,985
Total Local Sources	<u>42,831</u>	<u>16,651</u>	<u>59,482</u>
State sources			
State aid	<u>4,772</u>		<u>4,772</u>
Federal sources			
National School Lunch Program	83,570		83,570
USDA Commodities	11,585		11,585
Total Federal Sources	<u>95,155</u>		<u>95,155</u>
TOTAL REVENUES	<u>142,758</u>	<u>16,651</u>	<u>159,409</u>
EXPENDITURES:			
Salaries and wages	55,927	71,197	127,124
Employee benefits	11,047	13,366	24,413
Food and milk	59,850		59,850
Supplies and other costs	8,469	22,769	31,238
TOTAL EXPENDITURES	135,293	107,332	242,625
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,465</u>	<u>(90,681)</u>	<u>(83,216)</u>
OTHER FINANCING SOURCES (USES):			
Fund transfers in		90,045	90,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>7,465</u>	<u>(636)</u>	<u>6,829</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>28,192</u>	<u>794</u>	<u>28,986</u>
FUND BALANCE AT END OF YEAR	<u>\$ 35,657</u>	<u>\$ 158</u>	<u>\$ 35,815</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	<u>DURANT DEBT SERVICE</u>	<u>1999 BUILDING BONDS</u>	<u>QZAB DEBT SERVICE</u>	<u>TOTALS DEBT SERVICE JUNE 30, 2008</u>	<u>2007</u>
<u>ASSETS</u>					
Cash	\$ -	\$ 146,083	\$ 110,355	\$ 256,438	\$ 223,097
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>-</u>	<u>\$ 146,083</u>	<u>\$ 110,355</u>	<u>\$ 256,438</u>	<u>\$ 223,097</u>
<u>FUND BALANCES</u>					
Fund balances	<u>\$ -</u>	<u>\$ 146,083</u>	<u>\$ 110,355</u>	<u>\$ 256,438</u>	<u>\$ 223,097</u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008

	<u>DURANT DEBT SERVICE</u>	<u>1999 BUILDING BONDS</u>	<u>QZAB DEBT SERVICE</u>	<u>TOTALS DEBT SERVICE JUNE 30,</u>	
				<u>2008</u>	<u>2007</u>
REVENUES:					
Local Sources:					
Property taxes		\$ 391,089		\$ 391,089	\$ 373,913
Interest		2,904	\$ 2,064	4,968	3,739
Total Local Sources	-	393,993	2,064	396,057	378,689
State Sources	-	-		-	-
Other Revenue		-		-	-
TOTAL REVENUES	-	393,993	2,064	396,057	378,689
EXPENDITURES:					
Debt Service:					
Principal repayment	-	180,000	-	180,000	170,000
Interest and other fiscal charges	-	219,016		219,016	227,342
TOTAL EXPENDITURES	-	399,016	-	399,016	397,342
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(5,023)	2,064	(2,959)	(18,653)
OTHER FINANCING SOURCES (USES):					
Transfer from General Fund			36,300	36,300	36,300
Transfer from QZAB Capital Projects Fund			-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	36,300	36,300	36,300
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)		(5,023)	38,364	33,341	17,647
FUND BALANCE - BEGINNING OF YEAR	-	151,106	71,991	223,097	205,450
FUND BALANCE - END OF YEAR	\$ -	\$ 146,083	\$ 110,355	\$ 256,438	\$ 223,097

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008

	<u>PERMANENT FUND</u>	<u>STUDENT ACTIVITIES FUND</u>	<u>TOTAL</u>
ASSETS			
Cash		\$ 22,122	\$ 22,122
Investments	\$ 9,977		9,977
TOTAL ASSETS	<u><u>\$ 9,977</u></u>	<u><u>\$ 22,122</u></u>	<u><u>\$ 32,099</u></u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to student groups		\$ 22,122	\$ 22,122
Total Liabilities	<u>-</u>	<u>22,122</u>	<u>22,122</u>
Fund Balance:			
Fund balance:			
Reserved for scholarships	\$ 9,977		9,977
Total Fund Balance	<u>9,977</u>	<u>-</u>	<u>9,977</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 9,977</u></u>	<u><u>\$ 22,122</u></u>	<u><u>\$ 32,099</u></u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
PERMANENT FUND
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008

	JOY MCCREEDY SCHOLARSHIP TRUST
ASSETS	
Investments	\$ 9,977
TOTAL ASSETS	\$ 9,977
LIABILITIES AND FUND EQUITY	
Liabilities:	
Scholarships payable	-
Fund Balance:	
Fund balance:	
Reserved	\$ 9,977
Total Fund Balance	9,977
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,977

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
PERMANENT FUND
SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>JOY MCCREEDY SCHOLARSHIP TRUST</u>
REVENUES	
Local revenues:	
Interest on Investments	\$ 381
Donation	<u>-</u>
Total Revenues	<u>381</u>
EXPENDITURES	
Scholarships awarded	<u>500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(119)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>10,096</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 9,977</u></u>

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
TRUST AND AGENCY FUNDS
STUDENT ACTIVITIES FUND
SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGE IN BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	BALANCE JUNE 30, 2007	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2008
STUDENT ACTIVITIES:				
7th/8th Grade SC	\$ 1,088	\$ 10,662	\$ 10,720	\$ 1,030
AG Science Fund Raiser	371	1,143	1,172	342
Ag Science Scholarship	31	500	500	31
AK-FG Elementary	8,120	12,537	14,661	5,996
A-F Elem Playground	10,123	1,439	11,341	221
Athletic Fund Raiser	6	1,087	41	1,052
Athletic JV Girl BB	76	-	-	76
Athletic Girls Volleyball	25	-	-	25
Band	26	1,495	1,455	66
Boys Basketball	259	73	298	34
Board of Education	-	200	20	180
Bookstore	1,717	92	174	1,635
Class of 2007	941	-	941	-
Class of 2008	5,335	1,971	7,263	43
Class of 2009	5,189	2,963	6,326	1,826
Class of 2010	129	8,278	4,226	4,181
Class of 2011	-	1,348	151	1,197
Cross Country	241	-	-	241
Girls Basketball	27	190	190	27
High School Flower Fund	91	160	176	75
High School Miscellaneous	26	130	107	49
High School Principal	398	201	316	283
JV Boys Basketball	16	-	-	16
Kindergarten/6th Grade SC	443	1,304	1,227	520
Library	61	455	-	516
Lock Rental	381	-	-	381
National Honor Society	21	-	-	21
Science	153	26	-	179
Spanish Club	452	819	1,174	97
Special Account	930	4,743	5,020	653
Special Education	351	-	285	66
Student Council	324	2,692	2,367	649
Vehicle Parking	380	-	-	380
Yearbook	2,903	4,402	7,271	34
TOTAL STUDENT ACTIVITIES	\$ 40,634	\$ 58,910	\$ 77,422	\$ 22,122

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2008

\$38,459 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 2,140	\$ 561	2009	\$ 2,701
6,235	1,867	2010	8,102
2,349	352	2011	2,701
2,461	240	2012	2,701
2,578	122	2013	2,700
<u>\$ 15,763</u>	<u>\$ 3,142</u>		<u>\$ 18,905</u>

The above bond issue bears interest at 8.00%. The bond proceeds were used for roof repairs and partial payment of a bus purchase. The State of Michigan revised the debt repayment schedule during the 2002-2003 school year eliminating the payments for years 2004-2005. The State of Michigan revised the debt repayment schedule during the 2006-2007 school year eliminating the payments for 2007-2008.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SCHEDULE OF BONDED DEBT -
1999 SCHOOL BUILDING AND SITE BONDS
June 30, 2008

<u>PAYMENT DATE</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>	<u>TOTAL PAYMENT</u>
11/1/2008			\$ 4,537	\$ 4,537
5/1/2009	\$ 165,000	5.50%	4,537	169,537
	<u>\$ 165,000</u>		<u>\$ 9,074</u>	<u>\$ 174,074</u>

PURPOSE AND SECURITY: The bonds were authorized at an election on September 23, 1999, for the purpose of erecting, furnishing, and equipping additions to and remodeling, refurbishing, and re-equipping school buildings, acquiring and installing educational technology system improvements and developing and improving sites. The Bonds will pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

See the accompanying notes.

AKRON-FAIRGROVE DISTRICT SCHOOLS
SCHEDULE OF BONDED DEBT -
2005 REFUNDING BONDS
June 30, 2008

<u>PAYMENT DATE</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>	<u>TOTAL PAYMENT</u>
11/1/2008			\$ 99,808	\$ 99,808
5/1/2009	\$ 25,000	3.125%	99,808	124,808
11/1/2009			99,418	99,418
5/1/2010	200,000	3.500%	99,418	299,418
11/1/2010			95,917	95,917
5/1/2011	200,000	5.000%	95,917	295,917
11/1/2011			90,918	90,918
5/1/2012	215,000	5.000%	90,918	305,918
11/1/2012			85,542	85,542
5/1/2013	225,000	5.000%	85,542	310,542
11/1/2013			79,918	79,918
5/1/2014	240,000	5.000%	79,918	319,918
11/1/2014			73,917	73,917
5/1/2015	250,000	5.000%	73,917	323,917
11/1/2015			67,668	67,668
05/01/16 - 05/01/25	3,165,000		738,375	3,903,375
	<u>\$ 4,520,000</u>		<u>\$ 2,056,919</u>	<u>\$ 6,576,919</u>

The 2005 Refunding Bonds (the "Bonds") were authorized by the Board of Education of Akron-Fairgrove Schools, County of Tuscola, State of Michigan (the "School District") by resolutions adopted on September 13, 2004 and March 21, 2005 (the "Resolutions") for the purpose of refunding a portion of a prior bond issue of the School District. The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

See the accompanying notes.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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July 10, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron-Fairgrove District Schools' basic financial statements and have issued our report thereon dated July 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Akron-Fairgrove District Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we considered to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2008-1, 2008-2, 2008-3, and 2008-4 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be presented or detected by the entity's internal control.

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To the Board of Education
July 10, 2008

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Akron-Fairgrove District Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Akron-Fairgrove District Schools in a separate letter dated July 10, 2008.

Akron-Fairgrove District Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Akron-Fairgrove District Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 10, 2008

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

Schedule of Finding and Responses

Findings considered significant deficiencies

Finding 2008-1

Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

Currently, the District's staff requests the external auditor's assistance in the preparation of the annual financial statements and related footnotes.

Context:

External assistance is required to prepare the annual financial statements and related footnotes.

Effect:

Utilization of the external auditor in preparing the financial statements and related footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the financial statements and footnotes to the financial statements.

Recommendation:

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

July 10, 2008

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

Schedule of Finding and Responses

Findings considered significant deficiencies

Finding 2008-2

Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Context:

Internal controls are weakened due to the lack of segregation of duties.

Effect:

Other staff members and/or board members must be utilized in order to achieve good internal controls.

Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

July 10, 2008

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

Schedule of Finding and Responses

Findings considered significant deficiencies

Finding 2008-3

Criteria:

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charged for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

Condition:

The District did not complete the time certifications required for the employees working solely on a single Federal award or cost objective.

Context:

Salaries and wages charged to the program could be disallowed.

Effect:

Proper documentation of time spent by full time employees is not being completed.

Cause:

The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.

Recommendation:

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

July 10, 2008

To the Board of Education
Akron-Fairgrove School District
Fairgrove, MI 48733

Schedule of Finding and Responses

Findings considered significant deficiencies

Finding 2008-4

Criteria:

Prior to Jul 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

Condition:

The District did not amend their budget prior to the end of the fiscal year.

Context:

As a result of the districts failure to revise the budget, they did not follow the PA621 as required.

Effect:

The general fund expenditures exceeded the budget by \$49,549.

Cause:

The cause of the condition was due to the reduction of administrative staff.

Recommendation:

The District should reassign administrative duties to make sure that the budgeting regulations are followed.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Timothy Franzel

July 10, 2008

Robert L. Tuckey, CPA

To the Board of Education
Akron-Fairgrove District Schools
Fairgrove, Michigan

In planning and performing our audit of the financial statements of Akron-Fairgrove District Schools for the year ended June 30, 2008, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated July 10, 2008, on the financial statements of Akron-Fairgrove District Schools.

Current Year Comments

Internal Control Procedures

In reviewing the internal controls, we discovered that the bank reconciliations have not been reviewed by an independent party. We recommend that a board member or an administrator review the bank statements and reconciliations on a monthly basis.

We also noted that purchase orders were not always being used as required by board policy. We recommend that the board policy is followed and purchase orders be used for all purchases.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel.

This report is intended solely for the information and use of Akron-Fairgrove District Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

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